

The Great Nazi Counterfeit Plot

By Major George J. McNally, USA With Frederic Sondern, Jr.

A FEW DAYS after the surrender of Adolf Hitler's armies, an excited U. S. Counter-Intelligence officer in Austria called my office at SHAEF headquarters in Frankfurt. A German captain, he reported, had turned in a truck loaded with millions of dollars' worth of British bank notes. Huge amounts of currency, he added, were floating

GEORGE McNALLY, before joining the Army in 1942, had been an agent of the U. S. Secret Service, specializing in tracking down counterfeiters. In 1945 the Army picked him to protect our troops in Europe from the counterfeiting of currency which always thrives during military invasions and occupations.

FREDERIC SONDERN, JR., a Reader's Digest Roving Editor, has written many of the outstanding stories to come out of Central Europe.

A fantastic Himmler scheme to corrupt Britain's economy during the late war

around in the Enns River; householders and Allied troops were busy fishing it out.

Startled and puzzled, I rushed to the place where the German captain and his truck had been taken. There, in 23 stout boxes about the size of coffins, were bundles and bundles of Bank of England notes. A quick tally of the hoard — aided by neatly written manifests tacked inside the cover of each case — showed that it totaled no less than 21 million pounds sterling!

It was impossible for me to determine, even under a powerful magni-

reasons for this action. He gave no more details, and the British press was discouraged from inquiring further.

The facts were that in three years the Nazis had printed incalculable numbers of false English notes which were wrecking fortunes, snarling banks and industries, and costing the British Treasury millions of pounds.

With this much background information, we began a search for the men and machinery behind the huge counterfeiting operation.

Finding the machinery was, by chance, not difficult. The German captain who had surrendered the boxes of bank notes told us he had received them from an SS officer whose truck had broken down near the village of Redl Zipf. He had been instructed to dump them in a nearby lake. That was all the captain knew. We went to Redl Zipf — and discovered one of the underground networks of storage corridors and workshops that honey-combed the Alpine redoubt where the Nazis had intended to make their last stand. There, in Gallery 16 — a 200-foot-long tunnel stretching off a big shaft bored into the side of a mountain — we found bank-note presses and other machinery. But no plates, no paper, no records. "Now all we have to do, old boy," said Reeves, "is to find the chaps who ran this place."

Inquiries in Redl Zipf revealed that all the men who had worked in the subterranean factory had been taken to the extermination

camp at Ebensee, 40 miles away, just a few days before the German surrender. We got to Ebensee fast. But every one of our counterfeiters was gone. The commandant there, knowing that American troops were already in the area, had pretended to accept the order to gas all 140 men, but had taken no action. When the camp was liberated, the counterfeiters had simply walked out, each in his own direction.

Fortunately, the camp records had been kept with typical German precision, even through the last mad days of the Reich. The names and birthplaces of this strange band were listed. Now began a search which lasted for months, and took us to the four corners of the former Nazi empire.

One by one we rounded up more than 40 of the most important of the counterfeiters. Little by little, we checked and pieced together their sometimes almost incredible testimony. And then we hit the jackpot. From various of our witnesses, we learned that a Czech named Oskar Skala — a political prisoner of the Nazis — had been chief bookkeeper of the operation. We found him, with the help of the Czechoslovakian police, peacefully selling beer in a little town near Pilsen. Skala was more than cooperative. A methodical man, he had kept in a tiny notebook a day-by-day description of the work of the forgers. The final pieces of the fantastic story of Operation Bern-

government and the banks with the serious problem of separating the good from the bad without causing an economic upset. Fortunately, by the time enough notes were available, the Luftwaffe had been driven from the air over Britain and the project was dropped.

One of the outstanding victims of Krüger's Grade One money was the now-famous "Ciccero" — the Albanian professional spy, Eliaza Bazna, who was valet to the British Ambassador in Ankara during the war, and who became, he thought, the highest-paid spy in history when he received £300,000 from German Intelligence for secrets he filched from the Ambassador's safe. Another, more typical, victim was a Swiss businessman who accepted in perfectly good faith British pounds worth a quarter of a million dollars from an irreproachable Turkish bank. The pounds were accepted in turn by a Swiss bank, eventually worked their way through several other neutral countries to Bank of England headquarters in Threadneedle Street. There Major Krüger's product was finally detected by an alert teller. In some cases, however, Sachsenhausen Grade One notes actually went from Germany into a neutral country, from there into England, back into another neutral country, and finally to Germany once more — without detection at any point along the way.

Even as Operation Bernhard flourished, however, Major Krüger was worried. His plant was produc-

ing 400,000 notes a month and the total stipulated by Himmler would soon be reached. Whereupon the Major conspired with his foremen to slow down the presses and to condemn large quantities of first-class notes as faulty. "If we don't slow down," he said to his bookkeeper and principal lieutenant one day, "I will be sent to the front to fight and you will all be shot. That would be a great pity." It was fortunate for the Bank of England that he felt that way. Several hundred thousand Grade One notes which might have been circulated were secretly packed away in big wooden boxes at Krüger's orders.

To keep Operation Bernhard working at full capacity, Krüger embarked on another project which had been on his list for some time — the counterfeiting of American dollars. But they found it a tougher job. The paper used in U. S. currency has never been successfully imitated, and the best paper mills in Germany, after exhaustive research, could turn out only a crude facsimile. Moreover, even the most skilled of Krüger's men found they could not produce the highly complicated engraved plates and colored inks which were needed.

Somewhere in Germany or in one of the occupied countries, Krüger reasoned, there must be at least one professional counterfeiter with experience in American notes who could break this impasse. The Gestapo and Himmler's other secret services began a search. In a German

prisoners of Operation Bernhard stoked a big incinerator with records and inferior counterfeits. A squad sank the printing plates deep in Lake Toplitz. But, at the last, these men could not bring themselves to destroy the finest of the fake notes, the hoard that Krüger had set aside to avoid the appearance of overproduction. As one of the counterfeiters told us later, "they were so beautiful." Coffin-sized boxes of them were loaded on trucks whose drivers were ordered to bury them in suitable places in the neighborhood from which they could be recovered at some future time.

One of the truckloads was that which was turned in to us by the German captain. Some simply disappeared. Others were dumped into the Enns River by frightened SS men who only wanted to get into civilian clothes and be on their way. In the turbulent Alpine stream, swelled by spring freshets, these boxes of Grade One notes were broken open by the rocks — and people from roundabout delightedly began fishing.

Our investigation at an end, we made a tally of Operation Bernhard's total production. It was startling. According to Oskar Skala's notebook and the corroborating evidence of other Krüger workers, the Major's plant turned out almost nine million Bank of England notes with a face value of approximately

140 million pounds sterling — then the equivalent of \$564,000,000! Six million dollars' worth went to Turkey and the Near East; \$12,000,000 worth were distributed by 6-F-4 in France and the Low Countries; \$30,000,000 worth paid German bills in Spain, Portugal, Switzerland and the Scandinavian countries. Another \$250,000,000 worth escaped burning at Redl Zipf and was either fished out of the Enns River by Austrians, Russians, Americans and British, or cached by SS men for future use.

For a long while Krüger masterpieces which had been salvaged from a watery grave and not surrendered kept turning up at British race tracks, in European black markets, even in New York foreign-exchange houses. That is why the Bank of England had to do what it did. With the Bank of England's prestige once again secure, the story of Operation Bernhard can be told with safety.

New five-pound notes — with a fine metallic thread drawn through them by a secret process, and as counterfeit-proof as any money can be — have replaced the old currency. By a heroic effort the Bank of England rescued Britain's credit and staved off a desperate attempt to sabotage Allied economy.

But for the British, and for ourselves, Operation Bernhard was a near thing. And it *could* happen again.

him while he worked and he had smiled and said, "She's helping me. We're friends."

I sat on the little wooden stool my father had made for me when I was a child. I felt more alone than I had ever felt in my life. If anything was to be done to help my mother I knew that I had to do it. And I knew that I couldn't.

I wished that I could pretend I was still a child, sitting on the stool watching my father carve something beautiful for me. I wished that there might still be, close by, some power greater than I on which I might call for help.

"Please, God," I said, "send me an idea, and whatever it may be I will accept it and do my best to carry it out."

I waited for a long time. I suppose I didn't really believe there would be an answer, and was a little ashamed of myself and of my prayer. I shooed the cow away and closed the window. As I fumbled my way to the door, I stubbed my toe on a board that protruded from the stacks of wood against the wall. It was a square of about three feet, an inch thick, with tapered edges. I lifted it free, and saw that it was a painting, oil on wood, which my mother had done when she was a girl. I recognized the scene: a brook, a meadow, a house and trees where I had played in my childhood. And then I remembered my prayer.

The first sparkle came back to my mother's eyes when she saw that picture. How old was she when

she painted it? Seventeen, she guessed. Had she painted more? Oh, many more, but she had given them all away. People seemed to like them. But she wouldn't hear of trying it again. She was too old.

That's how Mama and Grandma Moses got acquainted. On an impulse I wrote to Grandma Moses, all about my father, and about my mother, and about my mother feeling that she was too old to paint. In just the time it takes for letters to travel by air mail from Georgia to upstate New York and back, my mother was reading the answer. She wanted to know who this woman was, and how she happened to know about *her* and to write her a letter. And then she smiled at some of the things Grandma Moses said about age and art and putting up strawberry preserves and painting, and how the last two were much the same. And that she had never ceased to marvel at being paid for doing something which was such fun to do. About being too old to paint, she said, why, heavenly day! She didn't even *begin* until she was 77.

My mother thought it was wonderful for Grandma Moses to be a world-famous artist after having got started so late in life. But she reprimanded me gently for having bothered the dear old soul and asked me to put the letter away in some "good, safe place." Then she leaned back in her chair and shut her eyes. As I looked down at her face, so tired and sad, so withdrawn from

tying glass, whether the notes were genuine or not. I called my British colleagues in Frankfurt, and shortly afterward had a telephone call direct from the Bank of England. When I described the find, there was a long-drawn gasp at the other end of the wire. Soon a representative of the Bank arrived from London — a tall, angular and reserved gentleman named Reeves.

We took Reeves to the heavily guarded room where the treasure was deposited, and he began going from box to box, riffling the notes through his fingers. Finally he stopped and stared silently into space. Then for several seconds he cursed, slowly and methodically in a cultured English voice, but with vehemence.

"Sorry," he said at last. "But the people who made this stuff have cost us so much."

From that moment Reeves, three detectives from Scotland Yard and I collaborated in piecing together the fantastic story of Operation Bernhard, the biggest hoax that one government had ever perpetrated on another.

First, I was told that during 1943 an alarming number of counterfeit English bank notes had been finding their way to London from Zürich, Lisbon, Stockholm and other neutral centers. They had begun to come in batches of £100,000 or more, and the quality of the fakes had been improving steadily. Soon it was clear to the Bank's experts

THE READER'S DIGEST
tured by highly skilled craftsmen and distributed by a remarkably well-organized gang.

Then a German spy was arrested in Edinburgh. He had been flown by seaplane to the Scottish coast and had come ashore in a rubber boat. The suitcase he carried was stuffed with bank notes — the finest fake money the Bank of England had ever seen.

The Bank now realized that it was up against the German Government itself, and that the very credit of Britain might well be at stake. For decades banks all over the world had been using Bank of England notes almost like gold; frightened Europeans and Asiatics had hoarded them against bad days. Now hundreds of thousands of pounds of fake British money were circulating outside of Britain. If doubt were cast on the integrity of these notes in neutral and Allied countries, particularly in the middle of a war, the result might prove extremely dangerous not only to Britain but to the Allied cause. Eventually, the Bank had to bow to the inevitable.

The whole financial world was jolted when the Bank announced that it was withdrawing from circulation all its bank notes of all denominations and would exchange them for five-pound notes of a new design. After a certain date all old notes would cease to be legal tender.

To a confused Parliament, Britain's Chancellor of the Exchequer explained guardedly that wide-

Early in the war SS *Führer* Heinrich Himmler had created in his innermost headquarters Office 6-F-4, an organization whose aim was to corrupt Great Britain's economy by counterfeiting her bank notes on a large scale. The project really hit its stride when Major Bernhard Krüger came in as executive director in 1942.

Krüger was a young, resourceful Nazi who saw in the problems which were delaying 6-F-4 a fascinating challenge. One of the difficulties had been the recruiting of the highly skilled, specialized personnel needed for a big counterfeiting plant; the experts at the Reichsbank and the Reich Printing Office — most of them strait-laced old Prussian civil servants — rebelled at the idea of actually printing another nation's money, even in wartime. Krüger had a solution: A number of Germany's outstanding printing technicians were in concentration camps because of their racial origin; such men could be put to work — and at the same time be kept quiet.

Bernhard Krüger rounded up these technicians, promised them preferential treatment for the rest of their lives, and had them transported to the Sachsenhausen concentration camp at Oranienburg near Berlin. There, in an isolated compound known as Block 19, surrounded by charged barbed-wire fences and picked guards from the notorious Deathshead Brigade sworn to absolute secrecy, Operation Bernhard got down to business.

ing plants was set up. Plates were engraved with meticulous care. A German press manufacturer interrupted war production to supply the necessary precision machinery. A famous paper concern, after many trials, succeeded in reproducing the fine, light Bank of England paper with its elaborate watermarks.

Office 6-F-4 sent experimental batches of the Bernhard product to Gestapo representatives in German embassies and consulates in Turkey, Spain, Switzerland and Sweden with instructions to try them on the local banks. Most of the notes were accepted without question. Himmler was jubilant.

Now, as the notes came off the presses, they were meticulously inspected and graded. Grade One, the best, were distributed by 6-F-4 for purchases in neutral countries and as operation money for the more important of Himmler's spies and saboteurs abroad. Grade Two notes, which had slight imperfections but were still excellent fakes, were distributed to Gestapo units in occupied countries to buy information and subsidize collaborationists, who liked to have Bank of England notes on tap in case anything went wrong.

Grade Three notes, still an extremely deceptive forgery, were accumulated and stored for an especially fantastic project of Himmler's: they were to be dumped on the British Isles from planes! Himmler's hope was that people all over the island would pick them up and try

prison they found Solly Smolianoff, a gypsy by birth and a first-class counterfeiter. Solly had never been to the United States, but he specialized in producing "American" notes of such outstanding quality that they had more than once come to the attention of the U. S. Secret Service. He had been jailed by several European countries for making them.

Solly found Block 19 paradise. "Imagine," he said to his colleagues, "a counterfeiting plant *guarded* by the police!"

By the end of 1944 Solly was ready with a \$50 and a \$100 bill that experts at the Reich Printing Office and 6-F-4 found eminently satisfactory. Operation Bernhard tooled up for production of these notes.

But now the tide of war was turning against the Reich. Berlin was being bombed more heavily every day, and Sachsenhausen was within the target area. Himmler wanted to shut down Operation Bernhard, but Krüger persuaded his chief to let him move the plant and men to one of the new underground factories in the redoubt area of the Austrian Alps. The Major argued that in case of a collapse Office 6-F-4 could be extremely useful to good Nazis by providing foreign money and expertly forged credentials of every kind.

The transfer from Sachsenhausen took several months. It was April 1945 before Operation Bernhard

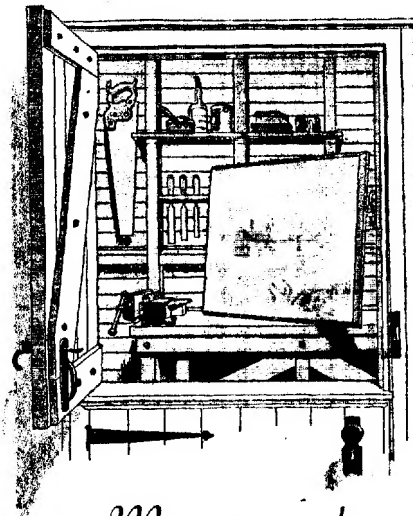
Gallery 16 behind Redl Zipf. By that time American troops were already closing in on the redoubt. Solly Smolianoff was never to use the plates he had so lovingly fabricated.

Late one day Major Krüger — in a fast Alfa Romeo convertible and accompanied by a striking blonde — roared into the concentration camp at the mouth of the Redl Zipf cave. Hurriedly he gave orders from Himmler himself: Every trace of Operation Bernhard was to be obliterated. All records were to be destroyed, fake currency and unprinted bank-note paper burned, plates and dies sunk in the deepest part of nearby Lake Toplitz. All 140 members of Operation Bernhard were to be taken to the Ebensee concentration camp and killed.

The Major, composed and polite as always, apologized for not being able to supervise the details himself. He had, he said, urgent business elsewhere. The Alfa Romeo was loaded with genuine Bank of England and Swiss notes — acquired, we subsequently learned from his subordinates, through black-market operations in occupied capitals; its glove compartment was filled with excellently forged passports. The car streaked away in the direction of Switzerland. Master Counterfeiter Krüger has never been heard of since, despite the concentrated efforts of half a dozen police forces to find him.

For three days after the Major

Where do ideas that are wonderful
come from?



Mama and Grandma Moses

Condensed from
Lifetime Living
Frances Davenport

WHEN my father died, three years ago, I had the flu and was unable to make the cross-continent trip to my home in north Georgia. Several weeks later, when I did get there, I found my mother sitting in Dad's old chair by the window, her hands folded, and a look on her face which said clearly, "I'm going to die." Remembering how happy their life had been to-

gether, I knew it would be difficult to change her mind.

How small she was! I had never known how pitiful and forlorn a human being could look huddled in a leather chair so many sizes too big. I knelt beside her and held her hands. "Don't cry, darling," she said. "Everything's all right." Then she quickly retreated to that faraway place where she was already beginning to feel more at home. I felt that if I left her she would get so far away I never would be able to bring her back.

Nothing that had ever happened to her before had seemed to touch her youth and vibrant love of life. Energy had flowed from her fingers. And maybe, I thought, it all sprang from the same source, and now that the source was gone maybe nothing could be done about it.

I couldn't stand it. I went for a walk in her rose garden, which had always been so dear to her heart, and I saw weeds growing where they had never dared to grow.

I went to the carpenter shop back of the hedge, where my father used to work. Everything was neat and clean, just as he'd left it; his tools were carefully put away; the pieces of wood were arranged in even stacks along the wall. I opened the Dutch door which looked out onto a neighbor's pasture, as he used to do. And the neighbor's cow poked her head in and looked at me mournfully. I remembered asking Dad once how he could stand a cow watching